

Honorable Council, Members of the School Committee, fellow citizens both here in City Hall and home watching on television, good evening. Thank you for the opportunity to speak to you tonight. Will Rogers (or Mark Twain) once said that the key to making a good speech is to have a good beginning, a good end, and as little space in between as possible. Unfortunately, the issues before us tonight do not lend themselves to that. Those issues are our school system, including the high school project, municipal finances, and the upcoming special election. How those first three interrelate is something I think about and work on virtually every day in an effort to avoid that last.

Here in Massachusetts, school systems are largely autonomous, free from interference by, and even the influence of, mayors and city councils. School Committees are free to establish their own practices and policies, Superintendents are free to develop and pursue their own agendas, teachers are free to speak, students are free to inquire and challenge but a quality public education is anything but free. It costs a great deal, and that is where the autonomy of a school system and the reality of municipal financing have to find common ground.

I've heard suggestions to the effect that a school system's budget should be established in complete disregard of the community's ability to fund it. That is folly. We cannot talk about the schools in a vacuum. We cannot even talk about the schools as disembodied from the city. They are not. For too long we've allowed ourselves to talk about a school side and a city side, as if we were talking about two separate entities. We are not. The City of Beverly collects taxes and other revenue to fund our public works, public safety, public libraries, public parks, public playgrounds and yes, our public schools. And most of the money we collect does in fact go to those schools, as it should.

Public schools are more than an American institution, they are the American ideal. They are this country's single greatest innovation, born of the idea that every person deserves to be educated well, that well educated people make good citizens, that good citizens make great societies. Public education is the bedrock of American society, the cornerstone of a democracy dedicated to the proposition that all people are created equal. Our public schools are open to everyone, without regard to gender, without regard to class, without regard to color or creed. For every child, from every neighborhood, the doors of our public schools have been called the American gateway of opportunity. Is there any better place, then, to invest

our time and energy? Is there any better use of our resources than to apply them for the betterment of our schools? Think of the return – an educated workforce, a community of productive citizens, an informed electorate, generations of young men and women with purpose and promise. Investing in our schools is investing in ourselves, all of us, whether we have children in the school system or not. Beverly does invest in its schools, heavily. We invest our time, we invest our effort and we invest our money.

Beginning in the mid-1990's Beverly embarked upon a program to rebuild our school system. Our goal was a noble one – a good public school should be available to everyone, in every grade. We first focused our attention on the elementary schools, where we invested fifty-five million dollars in renovation, reconstruction and construction costs and we redistricted to correct the imbalance of at-risk children across all our elementary schools. More recently, we committed ourselves to the construction of a new academic wing for our high school and the complete modernization of that school's common spaces. And while it may be down the line, the reconstruction of the Memorial School as a modern middle school remains an integral part of our long term plan. For our sake, and for the sake of generations to come, we must not abandon these plans. We must not sacrifice the promise of tomorrow to the pressures of today. When we

embarked upon this program to rebuild our schools we did so with a sense of duty and obligation not just to the present generation of school children, but to future generations as well.

Whether you were born in Beverly or moved here as I did, the day we arrived there were police patrolling our streets, firemen protecting our homes, public parks and playgrounds, public libraries and public schools, all ours, but all provided by those who were already here and those that were here before them. So too future generations depend upon our stewardship of these resources – our commitment to their maintenance and our willingness to improve upon them. Consider the high school. It was once housed in the old Briscoe Building on Essex Street. From there, for the betterment of their children's education, the community built and moved the high school to what is now the Briscoe School. Then on to the high school as it presently sits. One generation after another took it upon themselves to modernize the school, not just for their own children but for the children of those to come. In 2006 the City Council responsibly authorized sixty-five million dollars to continue that effort. That authorization saved the high school's accreditation for the students now in attendance and spared Beverly residents a catastrophic drop in the values of their homes. Most importantly, that authorization fulfilled the city's responsibility to provide our children, and

the children to come, a state of the art learning environment. At the time I proposed the high school project to the Council, I said that it could be done without an override. I said that we could pay our share of the project's cost out of the general fund. We estimated that cost to be sixty-five million dollars, with the State paying half. We agreed that we would dedicate particular sources of revenue to pay the city's half. Those sources of revenue are the \$800,000 generated annually by the expiration of the Cummings TIF, the \$600,000 received annually from the State in increased repayments for our completed elementary school projects and the \$1,000,000 in debt capacity which becomes available in 2010 when current debt service expires. Between the State reimbursing us 50% of our costs, and those sources funding the other 50%, I said we could complete this project without an override. I say that again tonight, even knowing that the cost of the project has increased.

The unexpected discovery of asbestos in the high school's ceilings has added some cost to the project. So too may the addition of several desirable features in our design. But these are all offset by the State's indication that it will reimburse a larger share of the project than we had originally anticipated. While we had conservatively estimated that most of our costs would be reimbursed at a rate of 50%, the State is now indicating that rate

will be higher, perhaps 56%. That increase allows us to consider some of the additional improvements on which we will ask contractors to bid. These additional features are not considered absolutely necessary but are recognized as highly desirable and yes, one such design includes artificial turf athletic fields. Given the State's possible willingness to share the costs of such fields, given their ease of maintenance as compared to our present fields and the fact that they could be used much more frequently without being torn up, they represent an economy worth considering. It is important to remember that with or without the fields, or any of the other additional features being considered, the high school project represents a one time cost. By that I mean it is something that we pay for once, at a fixed price. Our school projects - this high school project, the elementary school projects we've already done, and the middle school project we hope to do - are all one time costs. We pay for them, and we're done. The operation of our school system, however, is not a one time cost. It is an annual cost, something we pay for every year, and each year we pay more than the last.

We are rebuilding the infrastructure of our school system. At the same time however, we have not, we are not and we will not ignore our responsibilities to the most valuable asset this and any community has – our children. They truly are our future. And so throughout all of our efforts to

rebuild our system, we have continued to invest, even more heavily, in its operation. That investment, the day-to-day costs of operating our schools, grows annually. In recent years while student enrollment has shrunk school department staffing levels have grown. Under those circumstances, to somehow characterize our annual increases in funding as cuts is simply not helpful. We do look for educationally sound means to control the growth of the school budget. We must. Our ability to put those police on our streets, to put those firemen in our trucks, to maintain our Senior Center, our Recreation Department, our libraries, all depend on a fiscal discipline from which the school system cannot be exempt. As I've said, all of these efforts and operations, for the most part, have a single source of funding – the City's revenue - and the rate at which that revenue climbs is largely constrained by law.

Real estate taxes are by far the city's largest source of revenue and, as you know, the rate at which those taxes can be raised is a product of state law, which limits that increase to 2 ½ percent per year. Our school budget is by far the city's largest expense and, as you know, the rate at which that budget increases is a product of our own resolve. We are resolved to provide our children the best public education possible while also providing public works, public safety, public libraries, parks, playgrounds and social

centers. Out of this resolve have come two proposals. A group of citizens has proposed a Proposition 2 ½ Override, intended to generate additional revenue to fund the growth in the school budget. The Superintendent of Schools has proposed a reconfiguration of the school system, intended to limit the growth of that budget. Both proposals have their supporters and detractors. What I would like to do this evening is to begin a full and fair consideration of how each of these proposals fits in the larger context of municipal finance. I'll speak first to the issue of an override, a petition to increase property taxes by about 4% from what they would otherwise be for next year. That same increase would be in effect for the years going forward.

As this country decided long ago, taxes are the price we pay for a civilized society. It certainly does not follow that the more taxes we pay the more civilized will be our society. But if by civilized we mean good schools, well stocked and sufficiently staffed libraries, safe streets, clean parks and preserved open spaces, then the converse is less easily dismissed. The less a community receives in taxes, the less it can afford these institutions and services. Up until 2002, the taxes that Massachusetts communities received included a substantial portion of the state income taxes we all pay. We pay that to the State, but the State historically returned

much of that money to the cities and towns in the form of Local Aid. In 2002, to address its own financial difficulties, the state drastically cut Local Aid, in Beverly's case by about \$3,500,000 a year. Ever since, we have been working very hard to make ends meet, and nowhere has that been harder to do than in our schools, where we spend more than half of our entire budget. With our growth in revenue largely limited to 2 ½ percent, the question becomes what growth in our spending can we realistically sustain? As I've said, there cannot be a complete disconnect between what we take in and what we spend, because the only thing harder than living within our means will be living with the consequences if we don't. After much consideration, our Finance Director John Dunn and I concluded some time ago that Beverly can afford to grow its school budget by 3 ½ percent each year. This has been discussed in multiple conversations with the School Committee, the Superintendent and many of the city councilors here this evening. I have discussed this in public presentations such as the State of the Schools and State of the City Addresses. As I explained in detail in the State of the Schools Address, a 3 ½ percent increase in the school budget would translate into approximately 1 ½ million dollars. Additionally, I believe the Governor's proposed budget will increase State Aid this year by about \$350,000. All told, the school system would then receive

approximately 1.85 million dollars more this year than it did last year. That might sound like a lot, but in reality it's not. Simply meeting the anticipated increases in employee health care coverage will put a substantial dent into that. And it gets harder. You may recall that two fiscal years ago the school system realized it had a 1.6 million dollar surplus on hand. Over the past two years the schools have expended that money, responsibly and for good cause, but by the end of this fiscal year it will have been completely spent. Assuming the money was evenly spent over each year, that means the schools will not have \$800,000 to spend in the next fiscal year that they had in the present one. Arguably then, while 1.85 million more dollars would be given to the schools, the schools would really have just over 1 million dollars more to work with than they had last year. As it is currently drafted, however, the school department's FY 2009 budget projects a \$3,700,000 increase in spending, leaving a shortfall of \$2,700,000. This is the subject of the present override petition. As I've said, the proposal is to add a fixed amount, approximately 4%, to each property owner's tax bill. The increase would go into effect this year and remain in effect in the years to follow.

There are intelligent, sincere, well-intentioned people on both sides of this issue. People who believe that we cannot afford to do anything less and people who fear that they cannot afford to pay anything more. Parents

raising school age children, retirees living on fixed incomes and everyone in between. I have always believed that referendum politics carries the risk of dividing a community. It is certainly the bluntest form of self-government, whereby fifty-one percent of an electorate can impose its will on the other forty-nine percent. That can foster conflict, not community, and in these challenging times community is what we need most. I say this not to dissuade the many good people presently advocating an override. Their cause is good – our schools - and I would do nothing to deny them their right to the ballot. But I continue to believe that I, the City Council and the School Committee have a responsibility to serve that same cause in another way, without resort to overrides. I also believe that another way is absolutely necessary, even were an override to pass.

To indefinitely maintain the current employment levels in our school system, the residents of Beverly will need to pass an override. Not just this year, but each and every year after this year as well. Override after override. Many proponents of the present override effort agree with me on this – the present state of our school system is untenable. An override will not change that. It is true that absent an override, the community will have no other choice but to implement the Superintendent's reconfiguration plan or some variation of it. And it is true that with an override, that choice could be

deferred, but not for very long at all. Because even with this override, major changes in our school system cannot be avoided. Unchecked, the school department's budget grew by \$3,700,000 this year while the city's ability to fund it grew by less than \$2,000,000. A successful override can make up the difference, this year. But what will make up the difference next year if the school department's budget grows by yet another \$3,700,000? Yes, this override will stabilize the present budget, but it will not sustain its future growth. In fact, were the override to pass and the school department then forsake the changes it needs to make, any benefit of the override will have been wasted because we will be doing all of this all over again a year from now. Whether this year or next, we must address this, and Superintendent Hayes has proposed a way to do so.

Before commenting on the substance of Dr. Hayes' proposal, I welcome this conscientious effort to control the growth of the school department budget. I recognize that many of the pressures brought to bear on that budget are outside the Superintendent's control. We can debate the efficacy of No Child Left Behind but we cannot deny its costs or its influence on the allocation of resources, including staff. Dr. Hayes' proposal appears to be an attempt to align resources in a more efficient and cost effective manner, and I applaud that. His plan does not eliminate

educational programs and it does not close any schools. It does eliminate some positions and it does use schools differently. The principal objection that I have heard to the Superintendent's plan is its impact on class sizes, an understandable concern. But if we were able to add back to his proposal one teacher in each of the 3rd, 4th, and 5th grades, we could have class sizes of 24 in the 3rd, 25 in the 4th and 27 to 28 in the 5th and keep the plan's savings largely intact.

By eliminating some positions, the plan reduces salary and benefit costs now and in the future. By reusing schools, the plan reduces outplacement costs, which are exceedingly high at present. By itself, the plan will not cure all that ails us, but the concept on which it is based would take us a long way there. Unfortunately, the presentation of that plan left many questions and concerns unanswered. As a member of the School Committee, I have personally viewed the Superintendent's proposal as a commitment to reconfiguration and the beginning of a thorough consideration of what that reconfiguration should be. I believe the question of which schools should be used for which purpose should be thoroughly assessed by a broader group of our community. Toward that end, I strongly recommend tonight that a committee, comprised of representatives from the School Committee, the City Council and the community at large, convene to

engage in a concentrated, fast track review of the reconfiguration issue.

Given that reconfiguration of the role of each elementary school is essential, the task is to determine the best use for each school. Representatives from the community at large, one from each school including Briscoe and the High School, could be chosen on the basis of recommendations from each school's PTO. The task of this committee will be to work quickly, inside a one month time frame, to thoroughly review the Superintendent's plan, including possible variations of it, for the purpose of making a recommendation to the School Committee as to how we should proceed. The School Committee, as is its purview, will ultimately decide this issue. In doing so, we must take this opportunity to rededicate ourselves to the principle of equally balanced classrooms throughout our city, balanced in numbers and balanced in demographics. We cannot have a classroom of seventeen students in one building while a classroom of nearly twice that number sits in another building. We cannot have one building serve the bulk of at-risk students while other buildings serve few, if any, of those students. These inequities are bad for our students, they are bad for our school system and they are bad for our community and unfortunately some of them exist today. Any reconfiguration must redress this while at the same time helping to achieve our goal of fiscal sustainability.

As I have said, the Superintendent's plan in some form is a significant step toward fiscal sustainability, but it will not by itself get us there. We will have to consider other means as well. Our school department is by far our biggest employer and approximately 85% of the school department's budget is spent on employment. It makes sense then, to look at that.

Every full-time employee of the City of Beverly is entitled to health insurance, mostly at the expense of the City. Additionally, every one of those employees with ten or more years of service will receive a lifetime pension and lifetime health care following his or her retirement, again largely at the expense of the City. In many cases, the cost of benefits for modestly paying positions exceeds the cost of salaries. Presently, anyone working more than 19 ½ hours per week in the school department, or any department in Beverly, is classified as full-time. Anyone working less is not. The school department, and indeed every department in the city, must take this into account in their staffing strategies. I am not suggesting we strip any present employees of any benefits. I am suggesting that, going forward, hiring on a part-time basis wherever possible makes a lot of sense. School Committee members with in-class experience have suggested that a great many of our aide positions could be filled by qualified staff working 19 ½ hours per week or less without reducing the total hours spent by aides in

the classrooms. The same may apply to positions in our transportation department and perhaps to other functions. Again, I am not suggesting any change for any of our present employees. I am talking about future hires. And not just at the lower end of our payroll, which brings me to a point I want to make this evening.

Our teachers and their aides are the most important resource we have. Whether in the Superintendent's plan, or any other, teachers and aides cannot alone bear the brunt of personnel cuts. Administrators must shoulder their fair share of that burden. Of course, I pledge to you that we as a city will continue to do everything possible to ease that burden.

The City is actively working on ways to increase revenue through appropriate new growth and additional State Aid. We supported Governor Patrick's efforts to build casinos because they would have provided additional local funds. Several parcels of City land are in the process of being sold for additional tax producing development. We have embraced the concept of "Smart Growth" along Rantoul Street and are pursuing the construction of a parking garage to stimulate activity and encourage economic development in our downtown. We continue to pursue improvements to the Brimbal Avenue/Route 128 interchange which will

open up land currently zoned for light industry to appropriate development.

We continue to make progress on establishing a waterfront restaurant to stimulate economic development in that area. We are actively involved in an effort to reduce both the City's cost and our employees' cost for health insurance by joining the State-operated Group Insurance Commission which today provides effective insurance coverage to some 286,000 people across Massachusetts.

Those costs are very substantial, and any percentage in savings will yield a significant return. We are currently negotiating contracts with several of the city's unions, and we are committed to reaching terms that recognize the realities I've described this evening. Whether we realize savings through our hiring practices, or reduce our health insurance costs, or realistically limit wage and salary increases, the schools will benefit.

I've gone on a bit tonight, but the importance of the issues before us warrants our fullest attention, and I thank you for yours this evening. I'd like now to answer any questions that you have, to the extent I am able. While I have suggested once again tonight that we must consider and pursue all educationally sound means to control the growth of our schools' operating costs, I want to underscore my own commitment to responsibly

funding growth necessary to secure the vitality of our school system. Our children deserve no less, and I welcome everyone's efforts toward that end.